98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 98-406

SMALL BUSINESS DEVELOPMENT CENTER PROGRAM EXTENSION

OCTOBER 6, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MITCHELL, from the Committee on Small Business, submitted the following

REPORT

[To accompany H.R. 4013]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 4013) to extend the Small Business Development Center program administered by the Small Business Administration until January 1, 1985, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

BACKGROUND

Numerous studies have demonstrated that lack of management expertise and assistance is one of the major contributing factors to small business failures. Your committee examined this problem in detail, as did the Small Business Administration, and both concluded that a possible solution was for SBA to form a partnership with universities, State governments and other entities at the local level. In 1980 Congress enacted Public Law 96-302, with title II containing the new partnership provisions as a Small Business Development Center program.

Under the provisions of that act, SBA was authorized to enter contracts and cooperative agreements with any State government or State agency, any regional entity, any State chartered corporation or institution of higher education or virtually any other group to provide counseling, assistance in technology transfer, information on regulations, research into business problems and other types of management assistance to the small business community. The key difference between this program and others which had been authorized in the past, however, was that those institutions applying to participate in the program would be required to provide matching funds in an amount equal

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to the SBA funds. Not only would this matching funds requirement double the size of the program, but infusion of local funds would insure interest and accountability at the local level.

At the time that Public Law 96–302 was enacted, your committee did no want to create simply another new program without further consideration and evaluation of it on its merits. Accordingly, the program was designed to be conducted for 4 years and it then would be sunset automatically if it was not extended. This sunset provision occurs October 1, 1984, at which time the program specifically is repealed unless it is extended.

During the 3 years of program operation, small business development centes have been established in the District of Columbia and 25 States: Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Iowa, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Washington, West Virginia, and Wisconsin. Although not required by law, the existing SBDC's are all operated in connection with universities. To date, these centers have provided management assistance to some 260,000 businesses.

The Need for the Legislation

The committee has commenced its review of the program and to date has held hearings in Seattle, Wash., and Atlanta, Ga., to review program operations. Both of these States are among the 25 States with existing SBDC's. During the course of this review, the committee learned that approximately one-half of the centers had contracts with the SBA which run on a full calendar year basis and that very shortly they normally would expect to receive a contract for the full 12 months of calendar year 1984. The existing law which repeals the Small Business Development Center program next October 1, however, will prevent SBA from contracting for the entire 12-month period; instead, the agency will be restricted to contracting for only the first 9 months of the year prior to termination of the program.

Although, if the sunset or repeal date is extended, SBA could issue another contract for 3 months and thus cover the entire calendar year 1984, some of the calendar year schools might not be eligible at that time to enter such a contract. A key element of eligibility is the matching funds requirement and due to budget cycles and accounting procedures in effect in some States and at some universities, additional matching funds may not be available. Thus the program might have to shut down in some States even if the national program receives a favorable review by the Congress.

Your committee believes that this should be avoided as not only would there be hard to the individual small businesses which would not receive counseling during the 3-month period, but also the program itself would be seriously set back with the distinct possibility that new staff would have to be hired.

What the Bill Would Do

H.R. 4013 would change existing law and extend from October 1, 1984, to January 1, 1985, the sunset or the repeal of the Small Business Development Center management assistance program contained in section 21 of the Small Business Act.

Conclusion

Based upon its preliminary review of the Small Business Development Center program, your committee believes that the program is providing meaningful and cost effective management assistance to the small business community. Although a full scale review is in process, it will not be completed until early next year and in the meantime your committee urges enactment of a 3-month extension of this program as an interim measure. Without such an extension, the program could receive serious set-backs in certain States even if the Congress subsequently continues the existence of this program.

Matters Required To Be Discussed Under House Rules

In compliance with clause 2(l)(2) of rule XI of the House of Representatives, the following statement is made relative to the vote on the motion to report H.R. 4013:

A majority of the committee voted in person and was actually present and the motion was approved by a recorded vote of 31 yeas and no nays.

In compliance with clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (A), relating to oversight findings, the committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provision of this rule of the House which states:

> In addition, each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee. * * *

With regard to subdivision (B), relating to the statement required by section 308(a) of the Congressional Budget Act of 1974, the following statement is made relative to the legislation:

> Section 3(a)(2) of the Congressional Budget Act defines the term "tax expenditures" as those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction, from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.

None of the provisions of H.R. 4013 deals with taxation and thus, in your committee's opinion, this bill does not provide new or increased tax expenditures.

Section 3(a)(2) of the Congressional Budget Act defines the term "budget authority" as authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds.

Under this definition, it is the final action of Congress that authorizes an agency to enter into obligations which constitutes new budget authority. In those cases which entail (1) an authorization for an agency to undertake a program; (2) an authorization for appropriation of funds to permit that agency to enter into obligations; and (3) an actual appropriation of such funds, it would be only the final action of Congress in appropriating funds which constitutes the budget authority.

None of the provisions of H.R. 4013 appropriates funds and thus, in your committee's opinion, the bill does not provide new budget authority. Accordingly, no comparison of budget authority, outlays or tax expenditures or 5-year projections have been made.

With regard to subdivisions (C) and (D), the cost estimate of the Director of the Congressional Budget Office relative to H.R. 4013 follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., October 5, 1983.

Hon. PARREN J. MITCHELL,
Chairman, Committee on Small Business, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 4013, a bill to extend the Small Business Development Center program administered by the Small Business Administration until January 1, 1985, as ordered reported by the House Committee on Small Business, October 4, 1983.

H.R. 4013 would extend from October 1, 1984, to January 1, 1985 the Small Business Development Center program (SBDC). SBDCs provide management and technical assistance to small businesses, and currently are all operated in connection with universities. Approximately one-half of all university contracts are awarded annually by the Small Business Administration (SBA) on a calendar year basis. The extension by three months would allow these universities to continue to provide SBDC services on an annual basis.

Currently, the appropriation for fiscal year 1984 for the SBDC program is at an annual rate of $22 million, provided in the Continuing Resolution (P.L. 98–107). The bill provides no new specific authorization level for the three-month extension of the SBDC program into the first quarter of fiscal year 1985. Thus, this bill does not require any additional spending, and the effect of the extension is to allow the disbursement of the 1984 funds over 15 months, rather than 12 months.

Enactment of this bill would not significantly affect the budgets of state and local governments.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

C. G. NUCKOLS
(For Rudolph G. Penner, Director).

No oversight findings or recommendations have been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 4013.

In compliance with clause 2(l)(4) the committee concludes that the provisions of this legislation in and of themselves will have no inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 7, rule XIII of the House of Representatives, the committee makes the following statement:

The costs attributable to this bill for the current fiscal year and for fiscal years 1985–89 are as follows: Based upon the current level of appropriations for the program, the costs anticipated during the period specified herein are approximately $5 million. In addition, no new or additional authorization or appropriation is being provided and it is fully expected that the costs will be minimal and will be paid from the agency's overall budget. Thus the net effect simply is to spread the period of the contract expenditure over an additional 3 months.

No cost estimate was submitted by any Government agency on H.R. 4013 to your committee.

In your committee's opinion, the above statements fully comply with the Rules of the House of Representatives.

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 204 of Public Law 96–302

AN ACT To provide authorizations for the Small Business Administration, and for other purposes

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Sec. 204. Sections 201 and 202 of this title are repealed effective [October 1, 1984.] *January 1, 1985.*

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